Sustainable Finance Framework

December 2023

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1. Introduction:

1.1 Company Overview

HDFC Bank Limited ('HDFC Bank' or 'the Bank') was incorporated in Mumbai, India and is a publicly held banking company engaged in providing a range of banking and financial services. The Bank is governed by the Banking Regulation Act, 1949 and the Companies Act, 2013.

HDFC Bank is one of India's leading private banks and was among the first to receive approval from the Reserve Bank of India (RBI) to set up a private sector bank in 1994.

The goal of the Bank is to be the preferred provider of financial services to its customers in India across metro, urban, semi-urban and rural markets. Its strategy is to provide a comprehensive range of financial products and services to its customers through multiple distribution channels, with what the Bank believes is high-quality services, advanced technology platforms and superior execution.

As of March 31, 2023, the Bank's distribution network was at 7,821 branches and 19,727 ATMs / Cash Deposit and Withdrawal Machines (CDMs) across 3,811 cities / towns. 52% of the branches are in semi-urban and rural areas. In addition, the Bank had 15,921 business correspondents, which were primarily manned by Common Service Centres. The Bank's extensive branch network is further complemented by its digital platforms, including internet banking, mobile banking, WhatsApp banking and phone banking solutions, to provide customers with a lifestyle banking experience, which is categorised into seven categories: Pay, Save, Invest, Borrow, Shop, Trade and Insure. The Bank's focus is on delivering a highly personalized multi-channel experience to our customers. The Bank also has overseas branch operations in Bahrain, Hong Kong, Dubai and Offshore Banking Unit at International Financial Service Centre (IFSC), GIFT City, India.

The three principal business activities are retail banking, wholesale banking and treasury operations. The retail banking products include deposit products, loans including loans to small and medium enterprises, credit cards, debit cards, third-party mutual funds and insurance products, bill payment services, and other products and services.

Under wholesale banking, the Bank offers a wide range of commercial and transactional banking services, including working capital finance, trade services, transactional services and cash management. The Bank is also a leading provider of structured solutions in India, which combine cash management services with vendor and distributor finance to facilitate supply chain management for its corporate customers.

The treasury operations manage the Bank's balance sheet, including liquidity and interest rate risks and include customer-driven services such as advisory services related to foreign exchange and derivative transactions for corporate and institutional customers, supplemented by proprietary trading, including Indian Government securities.

With effect from July 1, 2023, Housing Development Finance Corporation Limited merged with and into HDFC Bank under a Scheme of Amalgamation. Consequently, HDFC Bank is now the holding company of all the subsidiary companies within the group. The benefits of the merger entail increased scale, comprehensive product offering, balance sheet resilience and the ability to drive synergies, enhance operating efficiencies. As a result of the merger, the Bank now has a large mortgage finance book. The Bank with its digital platforms, digital journeys and large distribution network can upsell to the home loan customer a complete bouquet of the Bank's and its subsidiaries products across pay, save, borrow, invest, insure, and trade.

1.2 HDFC Bank's ESG Approach and Strategy

Environmental, Social and Governance (ESG) integration in the banking sector necessitates a holistic approach that encompasses ESG aligned decision-making, not only for internal operational practices, but also extending it across the ecosystem.

The Bank has been cognisant of imbibing sustainability in all its spheres of operations. In FY15, sustainability was officially included as the fifth value, alongside customer focus, operational excellence, product leadership and people.

In FY19, the Bank put in place a board governed environmental policy which served as a framework to understand and manage the Bank's environmental risks, impacts and opportunities.

In FY20, to further strengthen the Bank's focus on ESG, the Bank established an ESG Apex Council which is a management level group comprising senior members across major functions at the Bank. The ESG Apex Council reports to the Corporate Social Responsibility and ESG Committee of the Board of Directors on the Bank's ESG strategy, initiatives and road map to achieve set targets.

The ESG Apex Council has three working groups:

- Environment: Sets targets and identifies opportunities for improvement in areas of emissions, energy, water and waste;
- Social & Governance: Focuses on workplace policies including Code of Conduct & Human Rights, diversity, stakeholder engagement and corporate governance policies;
- Product Responsibility: Focuses on assessing Environmental & Social (E&S) risks, including climate risks in the Bank's existing portfolio and identifies new business opportunities in the E&S space.

In FY21, the Bank pledged to become carbon neutral by FY32. The Bank has worked extensively to formulate and implement a framework that will keep it on the path towards this goal, whilst continuing to expand operations. The Bank is committed to investing in a broad range of technological solutions and operational measures to reduce energy consumption at its operating locations, including renewable energy, green tariffs and energy efficient projects/equipment to lower its carbon footprint.

In FY23, the Bank adopted an enhanced and more comprehensive "ESG Risk Management Policy", as a part of the overall credit assessment for its wholesale corporate borrowers - replacing the erstwhile "SEMS Framework" and is applicable for all borrowers where the Bank's direct funded and non-funded credit exposure to the borrower exceeds INR 0.5 billion. Under the policy, the Credit Appetite Memorandum assesses ESG and climate change risks associated with the borrower's operations and mitigation measures/controls.

The reporting on the Bank's ESG initiatives is elucidated in the Integrated Annual Reports which are placed on the Bank's website. The reports are aligned with multiple frameworks such as the International Integrated Reporting Council (IIRC) along with disclosures as per the Global Reporting Initiative (GRI) Standards (2021), Task Force on Climate related Financial Disclosures (TCFD), Business Responsibility and Sustainability Report (BRSR) and United Nations Sustainable Development Goals (UN SDGs). The key ESG performance matrix is externally assured.

1.2.1 Sustainable Finance at HDFC Bank

ESG and Climate Change are becoming increasingly important from the perspective of borrower credit evaluation, as well as regulators and other stakeholders. The Bank is following a two-pronged approach to address ESG and climate change risks in its lending portfolio. On one hand, the Bank seeks to ensure adoption of and adherence to complete ESG and Climate Change assessment across multiple business divisions when issuing credit facilities, based on interactions with stakeholders, external agencies and relevant literature. On the other hand, the Bank is engaging with some of its largest corporate borrowers to better understand their ESG strategies and transition plans for managing climate risks.

2. HDFC Bank's Sustainable Finance Framework:

HDFC Bank's Sustainable Financing Framework, elucidated by way of this document (hereinafter referred to as the "framework"), is proposed as a basis for HDFC Bank's future Sustainable Financing Transactions ("SFT").

SFT will include issuance(s) of Green, Social, or Sustainable instruments (Bonds and/or Loans) which shall be used for the financing or refinancing of eligible assets / projects with environmental or social benefits, so as to extend HDFC Bank's sustainability strategy and contribute to the sustainable development of Indian economy. The net proceeds of such SFT or an equivalent amount shall be allocated for the financing or refinancing of "Eligible Projects" as defined in the Framework ("Eligibility Criteria").

The Framework has been developed in alignment with the following sustainable finance principles and guidelines:

- ❖ With respect to bonds, bonds issued under this Framework shall be aligned with the International Capital Market Association ("ICMA") Green Bond Principles 2021, Social Bond Principles 2023 and Sustainability Bond Guidelines 2021.
- ❖ With respect to loans, loans issued under this framework shall be aligned with the Loan Market Association ("LMA") Green Loan Principles 2023 and Social Loan Principles 2023.
- ❖ For each Green, Social, or Sustainable instruments issued under this Framework HDFC Bank is committed to align with the following elements: Use of Proceeds
- ❖ Process for Project Evaluation and Selection
- ❖ Management of Proceeds
- ❖ Reporting

- External Review

2.1 Use of Proceeds

The net proceeds raised under this Framework, or an equivalent amount shall be used to finance or refinance in whole or in part, projects that are consistent with the Eligibility Criteria set out in this section.

- Green Bond and/or Green Loan proceeds should be used exclusively for eligible Green Projects ("Eligible Green Projects") as defined.
- Social Bond and/or Social Loan proceeds should be used exclusively for eligible Social Projects ("Eligible Social Projects") as defined.
- Sustainability Bond and/or Sustainability Loan proceeds should be used exclusively for a combination of Eligible Green Projects and Eligible Social Projects.

All credit portfolios recognized under this Framework shall have to go through Bank's due diligence structure and process and only upon being sanctioned by the competent authority shall be reckoned for allocation under Green/Social/Sustainable Project portfolios. In case of refinancing, eligible projects or assets that have been financed up to 36 months prior to the issuance date of the relevant Green, Social, or sustainable instruments shall qualify.

SFTs do not place restriction on the tenor and currency; and can include other terms and conditions including covenants, to reflect the financing strategy and plans of HDFC Bank as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender. SFTs may be executed in any jurisdiction and market reflecting HDFC Bank's current and future business needs.

2.1.1 Green Finance Criteria: List of Eligible Green categories

	Project Criteria	HDFC Bank's inclusion criteria Eligibility Criteria for Green Projects Activities	Key contribution to SDGs
1.	Renewable Energy (including production, transmission, and distribution)	Wind • Generation of electricity from Renewable Energy (RE) sources such as Onshore and Offshore wind energy projects • Solar Photovoltaic and concentrated solar power (CSP) projects, which may include ground mounted and grid-connected rooftop solar projects[1] Solar and wind captive power plant projects for manufacturing facilities, excluding any facilities from fossil fuel or hard-to-abate sectors. • Hydropower Small-scale run-of-river hydroelectric power projects limited to less than 25 MW capacity or without an artificial reservoir [2]	

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[1] At least 85% of the electricity generated from the facility will be derived from solar energy resources, and non-renewable energy back up will be limited to 15% of the facility's electricity production

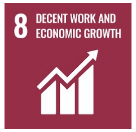
[2] Regardless of the size, an environmental and social impact assessment done by a credible body be required per project, and there should be no significant risk or expected negative impact identified. The eligible projects operational after 2019 will have a power density greater than 10 W/m2 or Life-cycle carbon intensity is below 50 gCO2e/kWh, whereas projects operational before 2019 will have a power density greater than 5 W/m2 or life-cycle GHG emissions lower than 100 g CO2e/kWh

		• Waste to energy Projects that recover energy from agri/forestry waste or Municipal Solid Waste (MSW) with the condition that majority of recyclables (especially plastics and metal) are segregated before incineration • Geothermal energy for electricity generation (limited to direct emissions below100g CO2e/KWh) • Production of biofuels from waste sources (forestry and agriculture residues, palm kernels shells only where these are Roundtable on Sustainable Palm Oil (RSPO) certified • Additionally, production of biofuels from non-waste biomass may include sustainable aviation fuels and will achieve at least a 65% reduction in emissions compared to the fossil fuel baseline • Generation and/or distribution of Biogas Energy[3] • Development and/or manufacture of renewable energy technologies and associated assets wholly dedicated and used for the purpose of supporting renewable energy generation facilities[4], including equipment for renewable energy generation and energy storage. Examples include wind turbines, solar panels, battery storage connected to renewables, wind turbine installation vessels[5]	

[3] Bioenergy (e.g., oil seed crops, sugar crops, wood pellets, excluding peat and palm oil) for electricity generation (limited to life-cycle emissions below100g CO2e/KWh Biomass/fuel that is derived from sources of high biodiversity, that competes with food sources or that depletes carbon pools is excluded

[4] Manufacturing facilities will exclude any fossil fuel facilities and facilities from hard to abate sectors

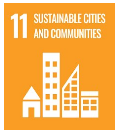
[5] To include Green Hydrogen projects, green hydrogen will be produced through electrolysis powered by renewables or by using 100% sustainably sourced biomass, biogas, or renewable natural gas (or landfill gas). To include projects related to battery storage connected to renewable or integrates at least 90% renewable electricity

		• Construction/ maintenance/ expansion of Renewable Energy associated distribution networks. i. if the system carries more than 90% electricity from renewable sources, the full financing or project is considered eligible; ii. if the system carries less than 90% renewables, but the percentage of renewables is expected to increase, a pro-rata approach will be adopted for allocation.	
2.	Energy Efficiency	Investments, expenditure and financing related to projects and technologies that are designed to enable energy and emissions reductions that aim to achieve at least 20% energy savings. o Smart grids technologies o Energy management systems (upgrades, modifications, service and improvements to industrial and manufacturing processes that result in an increase in energy efficiency, decrease in specific energy consumption due to technological upgradation including product design, service, redesign, addition and modification of features that have specific purpose of increasing energy efficiency), o Building technologies such as LED lighting, smart meters for households and replacement of boilers to improve energy performance. o Mobile network upgrades to 5G technology and 4G LTE migration from 3G or lower o Telecom towers upgrades, including cooling systems, insulation and reflective paints that enhance energy efficiency o Modernisation of broadband network from copper to fibre optic	  

		• Promotion of energy efficiency in industrial and commercial sectors[6] through development, manufacture and/or installation of technologies for increasing operational energy efficiency of utilities and reducing GHG emissions. • Retrofit of renewable energy power plants • Distribution networks for districting heating/cooling where these are primarily (> 50%) powered by renewables, waste heat or both	
3.	Pollution Prevention and Control	• Projects addressing reduction of pollution and waste (e.g. air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction etc.) • Waste management Projects will include waste collection, processing and recycling activities of agri forestry waste or Municipal solid waste. [7] • Development of recycling facilities that process i) recyclable waste into secondary raw material, ii) mixed residual waste to produce feedstock for waste to energy plants, iii) food and/or green/ garden/yard waste to produce compost	

[6] Energy management systems (upgrades, modifications, service and improvements to industrial and manufacturing processes that result in an increase in energy efficiency, decrease in specific energy consumption due to technological upgradation including product design, service, redesign, addition and modification of features that have specific purpose of increasing energy efficiency.
Expenditures within this category exclude energy-efficient technologies designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels, such asOil or gas-fired boilers, cogeneration and CHP units as well as production processes in heavy industries, such as steel, cement, aluminium.

[7] Segregation of waste at source will be ensured for the waste collection activities. For waste recovery and processing, segregation of recyclables will be ensured prior to processing including plastic and metals. The activity will exclude chemical recycling of plastics and waste collection vehicles. In case of e-waste recycling, robust waste management plan to be in place to ensure mitigation of any risks associated with such activities.

		• Reduce air emissions [8] Installation of smokestack scrubbers, or process upgrades, sensors to monitor/test emission control or compliance • Greenhouse Gas Control i) the addition of biochar to soils ii) late stage R&D expenditure on ocean fertilization or direct air capture technologies • Soil remediation[9] • Development and use of information and communications technology (ICT) for the purpose of collecting, transmitting, storing and using data to facilitate GHG emission reductions.	
4.	Sustainable Water and Wastewater Management	Activities that improve water quality[10] • Water treatment facilities including water recycling systems, sewer networks and manure and slurry treatment facilities; • Upgrades to wastewater treatment plants to remove nutrients • Wastewater discharge infrastructure • Desalination plants powered by electricity with an average carbon intensity at or below 100gCO2e/kWh over the residual asset life or desalination plants [11] primarily powered by low-carbon sources, such as renewables Activities that increase water-use efficiency	  

[8] Exclude prevention of air pollution resulting from fossil fuel production (such as produced water from fracking) or from technologies that are inherently driven by fossil fuels as an energy source

[9] Projects will not be related to the contamination or negative environmental externalities from the Bank's or Bank's client's own activities.

[10] All the projects related to water and wastewater infrastructure will exclude integrated water and power plant (IWPP) with fossil fuel power.

[11] Expenditure with in this category exclude desalination projects without appropriate waste management plans for brine disposal and desalination plants with dedicated on-site fossil fuel power

		• Water recycling and reuse • Water saving systems, technologies and water metering • Water-efficient irrigation methods in horticulture, such as drip and sprinkler irrigation methods and water monitor and taps with low-flow water fixtures • Sanitation infrastructure projects	
5.	Environmentally Sustainable Management of Living Natural Resources and Land Use	• Programs encouraging sustainable land use and sustainable agriculture, including climate-smart agriculture which considers climate mitigation and adaptation measures. • Sustainable aquaculture and fisheries[12] • Investment in integrated cropland-livestock[13] forestry systems and agroforestry systems targeted at smallholder farmers with sustainable forestry management plans in place such as FSC[14] or PFC[15]	14 LIFE BELOW WATER 15 LIFE ON LAND
6.	Terrestrial and Aquatic Biodiversity Conservation	• Restoration, preservation or conservation of natural habitats and landscapes, such as marshes, creeks and coastal ecosystems • Restoration or preservation of biological diversity in urban areas, such as parks • Landscape conservation or restoration, including forest conservation and restoration measures in line with Reducing Emissions from Deforestation and Forest Degradation (REDD)[16]	14 LIFE BELOW WATER 15 LIFE ON LAND

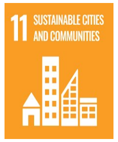
[12] Sustainable aquaculture and fisheries projects - Certified by a recognized and credible third-party standard and have achieved the minimum rating requirement. (for e.g. ASC for farm level certification, Global G.A.P for Aquaculture.)
[13] Exclusion - Livestock management projects for industrial-scale meat processors or producers
[14] FSC: https://fsc.org/en/find-the-right-certification-or-licence
[15] PEFC: https://www.pefc.org/standards-implementation
[16] Such activities will: i) use tree species well adapted to the site condition and ii) have a sustainable management plan in place certified to FSC7 or PEFC.8

7.	Clean Transportation	Developing/ manufacturing or acquisition of low-carbon passenger and freight transportation or related infrastructure, including: Electric and Hybrid Vehicles • For passenger non-public transportation, e.g. Passenger vehicles and hybrid vehicles, such as cars and commercial vehicle either with zero direct emissions (fully electric and hydrogen) or with tailpipe emissions under 75gCO2/km up to 2025 (non-eligible thereafter) • For passenger public transportation (e.g., light rail transit, metro, tram, trolleybus, bus and rail) either with zero direct emissions (fully electric and hydrogen) or with tailpipe emissions under 50gCO2/pkm up to 2025 (non-eligible thereafter) • For freight transportation, including rail[17], tailpipe emissions at or below (≤) 25g CO2e/t-km (tonne-kilometre) and for road freight, zero direct emissions. • Bus Rapid Transit (BRT) Systems - Components of any BRT project meeting Bronze, Silver or Gold score under the BRT Standard as developed by the Institute of Transportation and Development Policy and will meet a direct emission threshold lower than 50gCO_2e/pkm, according to the WLTP (worldwide harmonized light duty vehicle test procedure) • Infrastructure for zero direct emission transport such as batteries and hydrogen fuelling facilities • Setup of clean transportation infrastructure - Charging Stations • Programs encouraging land use planning which allows sidewalks, bike lanes and pedestrian zones • Late-stage R&D related to development and energy efficiencies for electric and hydrogen vehicles • Incorporating green technology in transportation infrastructure such as Transport/Public transport control centres	11 SUSTAINABLE CITIES AND COMMUNITIES 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

[17] Fossil fuel freight must not be more than 25% of the freight transported (in tonne/km)

		• Setup of manufacturing facilities dedicated to manufacture of EVs and sale of electric vehicles or components specifically designed for electric vehicles • Companies whose primary business pertains to the manufacturing of electric vehicles, EV charging infrastructure or provision of e-mobility transportation services • Financing of long tenor leases of electric vehicles (typically commercial vehicles like buses) • Retail financing including funding to dealers for electric cars, e-scooters, other zero direct emission vehicles and charging infrastructure	
8.	Climate Change Adaptation	• Activities that increase resilience of ecosystems such as integrated watershed management • Expenditures related to the design, construction, refurbishment of existing infrastructure and maintenance of eligible infrastructure that features intentional integration of climate resilient construction (design, materials) and/or soft infrastructure improvement (asset-focused resilience). Examples include: o Heavy rain drainage systems, flood prevention projects, flood defense systems, sluice gates, tunnels and channels and elevation of existing infrastructure Use of climate resilient crops (e.g. drought resistant seeds), drip irrigation technology, stormwater storage, grain storage, soil rehabilitation, climate resilient livestock infrastructure[18] (e.g. cooling sheds, emergency shelters) o River training and other flood mitigation projects • Data driven climate monitoring solutions, such as early warning systems, climate observation monitoring systems.	

[18] Infrastructure will not be supporting projects related to industrial scale livestock (meat) production

9.	Circular Economy	Investments, expenditure and financing related to projects, including, environmental and sustainability benefits of circular economy and/or eco-efficient projects: o Production of bio-based resource-efficient/ low-carbon products that are Roundtable on Sustainable Biomaterials (RSB) certified o Production of products using recycled/waste products such as plastic, paper and aluminium[19] • Provision of technology for creating marketplace for used materials and buy back of used products to promote reuse	
10.	Green Buildings	• Construction of green buildings or retrofit of existing buildings which meet regional, national or internationally recognized standards or certifications (e.g. EDGE, BREEAM, IGBC, LEED, Green Mark, GRIHA)[20] • Building renovation which have achieved or will achieve any green building certifications with corresponding levels that ensure building energy efficiency gains of at least 30% over the ASHRAE 90.1 or local building codes and meeting carbon hurdles set in the IFC EDGE tool[21]	 

[19] a) Recycling of plastic except chemical recycling. Only recycled plastic will be used for manufacturing of these products with below criteria:

i. Containing at least 90% recycled input

ii. Recyclable; and iii. At least 90% not intended for single-use products. Chemical recycling of

b) Paper: production of products with at least 90% or more recycled input

c) Aluminium: (i). 90% or more of the input comes from scrap or recycled aluminium or

(ii)75-90% of input is scrap/recycled aluminium and the remaining (primary) aluminium has a carbon intensity < 2.5 tCO_2e

[20] Edge – Certified or higher; LEED – Gold or Platinum; BREEAM – Excellent or above; IGBC – Gold or above; Green Mark – Gold plus and above, GRIHA - 4 to 5-star rating

[21] https://edgebuildings.com/certify/

		• Expenditures may also include Lease Rental Discounting (LRD)[22] using eligible green assets (as specified under the category) as collateral to finance or refinance expenditures related to eligible green buildings, such as capex costs, maintenance and upgradation of the green buildings • Loans to Individuals for purchase of houses in a certified green building as specified in this category	

2.1.2 Social Finance Criteria: List of Eligible Social categories

	Project Criteria	HDFC Bank's inclusion criteria Eligibility Criteria for Green Projects Activities	Key contribution to SDGs
11.	Micro, Small and Medium Enterprise Lending	• Loans to MSME's as per RBI's definition on MSME[23] • Definition of MSMEs is in accordance with the Micro, Small and Medium Enterprises Development (MSMED) Act 2006, wherein for a micro enterprise, the investment in plant and machinery or equipment does not exceed INR 10 million (USD 121,000) and turnover does not exceed INR 50 million (USD 605,000); for a	

[22] LRD loans are a type of structured term loans which includes a tripartite agreement between owner, lessee, and the Bank. Here the borrower (property developer or owner) is offered a loan against the rental receipts of the property and is also payable by the rents. The borrower could then use the proceed of the LRD for multiple purposes, including for business expansion, asset purchase, or previous loan repayments.

[23] Bank restricts lending to MSMEs that are involved in carbon-intensive or controversial sectors, such as weapons, mining, tobacco or conflict minerals, or that engage in child, forced or unfair labour practices by obtaining certifications from MSMEs

		small enterprise, the investment in plant and machinery or equipment does not exceed INR 100 million(USD 1.2 million) and turnover does not exceed INR 500 million (USD 6 million); and for a medium enterprise, the investment in plant and machinery or equipment does not exceed INR 500 million (USD 6 million) and turnover does not exceed INR 2.5 billion (USD 30.2 million).	
12.	Affordable Basic Infrastructure - Water	• Construction, maintenance and equipment for water supply infrastructure.[24] • Water, Sanitation and Hygiene (WaSH) projects will be limited to providing potable water and not industrial water	6 CLEAN WATER AND SANITATION
	Affordable Basic Infrastructure - Access to Electricity	• Development of transmission and distribution infrastructure aimed at improving access to electricity to areas where there is no access or access is substantially inadequate[25] (e.g. projects under the National Energy Policy addressing access to electricity for all households, including in rural areas)	7 AFFORDABLE AND CLEAN ENERGY
	Affordable Basic Infrastructure - Access to Transportation	• Development of roads (including road infrastructure in areas that lack connectivity, or in areas lacking infrastructure in underdeveloped regions[26]	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

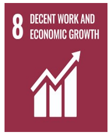
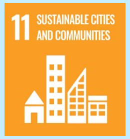
[24] Framework will include "Loans up to a limit of ₹5 crore per borrower for building social infrastructure for drinking water facilities and sanitation facilities including construction/ refurbishment of household toilets and household level water improvements in Tier II to Tier VI centres"
Exclusion: Desalination projects without appropriate waste management plans for brine disposal
Desalination plants with dedicated on-site fossil fuel power

[25] Exclusion - Transmission grid connected to a dedicated fossil fuel power plant (coal/oil/ natural gas)
[26] Exclusion – Financing major roads and highways

13.	Access to Essential Services - Healthcare Financing[27]	• Financing related to the construction, equipment or operation of activities that expand access to healthcare[28] • R&D, manufacture, logistics and distribution of medical products and supplies (including masks, respirators, medicines, etc) essential to emergency medical response, support for natural disaster (including pandemic) and vaccinations • Healthcare facilities which are exclusively towards treatment of Cancer • Healthcare facilities which derive at least 50% of their revenue from Government funding (either through direct subsidies or through various insurance schemes - CGHS / ESI etc.) • Healthcare facilities / hospitals which operate on a "not for profit" basis • Public healthcare facilities, facilities primarily serving the Economically Weaker Sections (EWS), Lower Income Group (LIG) the elderly/disabled	
	Access to Essential Services – Education Financing	• Education loans to individuals including vocational courses up to ₹20 lakh; • Loans for building social infrastructure (e.g.: construction of Schools) up to a limit of ₹5 crore per borrower • Loans qualifying under Central Government Interest Subsidy Schemes • Educational loans to EWS or SC/ST/OBC Loans qualifying under Central Government Interest Subsidy Schemes	

[27] In financing the eligible projects/ entities, the Bank shall require a confirmation of accessibility to all, including those from economically weaker sections (as defined by Government of India)

[28] Including loans up to a limit of ₹10 crore per borrower for building health care facilities including under 'Ayushman Bharat' in Tier II to Tier VI centres. up to a limit of ₹10 crore per borrower for building health as specified in PSL

			  
	Access to Essential Services - Housing Finance	Investments or projects including: • Loans to individuals for purchase or construction of their houses [29] • Loans to individuals for renovation of an existing house[30] • Loans for construction and development of affordable housing projects[31] including individual loans • The individual loans will be given to EWS, LIG and first-time home buyers in case of MIG 1 [32]	 

[29] Reserve Bank of India, "Master Directions – Priority Sector Lending (PSL) – Targets and Classification (Updated as on October 20, 2022)", (2022), at: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959

[30] RBI's Master Directions - Priority Sector Lending – Targets and Classification (updated as on October 20, 2022) wherein for renovation of an existing house the loan amount will be up to
INR 1 million in metropolitan centres and up to INR 600,000 in other centres.

[31] As per RBI's Master Directions - Priority Sector Lending – Targets and Classification (updated as on October 20, 2022) and as per Ministry of Finance, Government of India, "Affordable Housing" is defined as a housing project using at least 50% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) for dwelling units with carpet area of not more than 60 square meters.

[32] (i) Economically weaker sections are defined as persons whose family has a gross annual income below INR 800,000 and are not covered under the scheme of reservation for schedules castes, scheduled tribes and other backward classes. https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1781353
(ii) EWS households are defined as households having an annual income up to Rs.3,00,000 (Rupees Three Lakhs) hfa_Guidelines.pdf (pmaymis.gov.in)
LIG https://pmay-urban.gov.in/uploads/guidelines/62381c744c188-Updated-guidelines-of-PMAY-U.pdf
MIG1 https://pmay-urban.gov.in/uploads/guidelines/62381c744c188-Updated-guidelines-of-PMAY-U.pdf

14.	Food Security	• Investments or projects related to Investment in infrastructure and facilities such as warehouses to provide adequate storage, improve food conservation or improve connectivity in the food chain to avoid food losses	
15.	Impact Financing	• Loans to NBFCs for on-lending to MSMEs as per RBI's definition • Loans to housing finance companies as per affordable housing criteria mentioned in "Access to essentials" category • Loans to registered NBFC-MFIs [33]and other MFIs (Societies, trusts etc.) which are members of RBI recognised Self-Regulatory Organisation for the sector, for on-lending to low-income individuals[34] and households and also to members of	

[33] Non-ban king Financial Company - Microfinance Institution (NBFC-MFI) is required to have minimum 85 per cent of its net assets as 'qualifying assets'. NBFC-MFIs must lend atleast 75 per cent of the total assets as microfinance loans

In order to be classified as a 'qualifying asset', a loan is required to satisfy the following criteria:

(i) Loan which is disbursed to a borrower with household annual income not exceeding ₹1,25,000 and ₹2,00,000 for rural and urban/semi-urban households, respectively;

(ii) Loan amount does not exceed ₹75,000 in the first cycle and ₹1,25,000 in subsequent cycles;

(iii) Total indebtedness of the borrower does not exceed ₹1,25,000 (excluding loan for education and medical expenses);

(iv) Minimum tenure of 24 months for loan amount exceeding ₹30,000;

(v) Collateral free loans without any prepayment penalty;

(vi) Minimum 50 per cent of aggregate amount of loans for income generation activities; and

(vii) Flexibility of repayment periodicity (weekly, fortnightly or monthly) at borrower's choice.

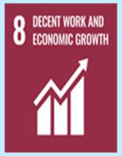
[34] A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.
All collateral-free loans, irrespective of end use and mode of application/ processing/ disbursal (either through physical or digital channels), provided to low-income households, i.e., households having annual income up to ₹3,00,000, shall be considered as microfinance loans.
To ensure collateral-free nature of the microfinance loan, the loan shall not be linked with a lien on the deposit account of the borrower.

		Self-help groups (SHGs) and Joint liability groups (JLGs). primarily comprising of women	
16.	Social Empowerment - Agriculture	• Lending to the agriculture sector shall include Farm Credit (short term crop loans and medium/long term credit to farmers), agriculture infrastructure and ancillary activities as set out below – Farm Credit: Loans to o Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of farmers, o Small/Marginal Farmers[35] o Farmer Co-operatives of Small/marginal Farmers o Directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This shall include: (i) Crop loans to farmers, which shall include traditional/non-traditional plantations and horticulture, and loans for allied activities, (ii) Medium and long-term loans to farmers for agriculture and allied activities, (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.) (iii) Loans to farmers for pre and post-harvest activities like sorting, grading and transporting of their own farm produce. (iv) Loans to farmers up to ₹75 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months, and	

[35]As per the Reserve Bank of India, a marginal farmer is a farmer that cultivates (as owner, tenant or share cropper) agricultural land up to 1 ha, and a small farmer is one that cultivates (as owner, tenant or share cropper) agricultural land of more than 1 ha and up to 2 ha. Reserve Bank of India, "Agricultural Debt Waiver and Debt Relief Scheme, 2008" at: https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=4190

		upto ₹50 lakh against warehouse receipts other than NWRs/eNWRs. (negotiable warehouse receipts) (v) Loans to distressed farmers indebted to non-institutional lenders, (vi) Loans to farmers under the Kisan Credit Card Scheme, (vii) Loans to small and marginal farmers for purchase of land for agricultural purposes. (viii) Loans to farmers for installation of stand-alone Solar Agriculture Pumps and for solarisation of grid connected Agriculture Pumps. (ix) Loans to farmers for installation of solar power plants on barren/fallow land or in stilt fashion on agriculture land owned by farmer. Agriculture Infrastructure: o Loans to individual farmers, Self Help Groups (SHGs) or Joint Liability Groups (JLGs) and/or corporate farmers, farmers' producer organisations, partnership firms & Co-operatives of farmers limited to Small/Marginal farmers for: (i) Soil conservation and watershed development, (ii) Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting. Ancillary Activities: o Loans up to ₹5 crore to co-operative societies of farmers for disposing of the produce of members[36] o Loans for setting up of Agri-clinics and Agri-business Centers, o Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture	

[36] Exclusion within this category is loans for the purpose of large-scale industrial farming

	Social empowerment – Livelihood Financing	• Loans provided directly to individuals and individual members of SHG/JLG satisfying the criteria as prescribed in Master Direction on Regulatory Framework for Microfinance Loans Directions, dated March 14,2022. • Loans not exceeding ₹2.00 lakh provided to SHG/JLG for activities other than agriculture or MSME, viz., loans for meeting social needs, construction or repair of house, construction of toilets or any viable common activity started by SHGs. • Loan to Weaker Sections: (i) Artisans, village and cottage industries where individual credit limits do not exceed ₹1 lakh (ii) Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS) (iii) Scheduled Castes and Scheduled Tribes (iv) Beneficiaries of Differential Rate of Interest (DRI) scheme (v) Individual women beneficiaries up to ₹1 lakh per borrower (vi) Persons with disabilities (vii) Minority communities as may be notified by Government of India from time to time.	

Target population for Social Project Categories

The aforementioned project categories/criteria may provide direct or indirect benefit(s) to one or more of the following target populations:

- Economically Weaker Sections (EWSs)
- Low-Income households (LIGs)

- Elderly Person with disabilities
- Scheduled Tribes and Scheduled Castes
- Micro, Small and Medium Enterprises (MSMEs)
- Any other marginalized community notified under government schemes.

2.1.3 Exclusions

The following industries are excluded from consideration for eligibility ("Exclusions"):

- Extraction, refining or transportation of fossil fuels
- Nuclear energy
- Agricultural or afforestation operations on land designated as primary forest, high conservation value areas, or legally preserved areas
- Production and refining of palm oil
- Payday loans and predatory lending activities
- Adult entertainment
- Alcohol / alcoholic beverages
- Tobacco products
- Gambling
- Weapons and small arms
- Luxury sectors such as precious metals, precious artworks & antiques, golf course services and hospitality
- MSME's that are knowingly and intentionally engaged in child labour, forced labour and unfair labour practices

2.2 Process for Project Evaluation and Selection

HDFC Bank will perform the credit assessment and due diligence of projects/ assets in accordance with its routine processes already laid down. All credit portfolios recognized under this Framework shall have to go through the regular Bank's due diligence structure and process and only upon being sanctioned by the competent authority shall be reckoned for allocation under Green/Social/Sustainable Project portfolios. For any project identified in the above Use of Proceeds categories (and therefore potentially eligible for allocation of SFT), the ESG Working Group (as defined below) will undertake a preliminary assessment for inclusion of projects on the basis of above framework criteria. If the criteria are met, the respective project/ asset will be nominated for SFT allocation.

The Product Responsibility group under the Apex Council shall act as the ESG Working Group (ESGWG) in order to determine the eligibility of a project under the Framework and also for regular monitoring of the Portfolio thereunder.

The members of the Product Responsibility working group shall comprise:

i. Risk management
ii. ESG
iii. Treasury
iv. Credit
v. Credit Administration Department and
vi. any other department as may be applicable

The Product Responsibility Group shall oversee the preparation and validation of relevant reporting for SFT instruments issued under this framework.

Identification and management of ESG risks associated with the relevant Project (s):

The Bank adopted an enhanced and more comprehensive "ESG Risks Management Policy", as a part of the overall credit assessment for its wholesale corporate borrowers. The policy has replaced the erstwhile "SEMS Framework" and is applicable for all borrowers where the Bank's direct funded and non-funded credit exposure to the borrower exceeds INR 50 Crore. As per the policy, a detailed template that captures the various aspects of ESG compliance and climate change risks/mitigants in relation to the borrower, and their business operations as a whole, is a mandatory part of the credit assessment and is included in the Credit Appetite Memorandum (CAM) for wholesale borrowers. The template assesses the various ESG & Climate Change Risks associated with the borrower's operations and mitigation measures/controls for the same.

2.3 Management of Proceeds

A labelling mechanism shall be developed in Core Bank System/ Management Information System or any other Application/Utility for existing projects/accounts earmarked under Green, Social or Sustainable portfolio. The label shall enable identification of the details of Green, Social or Sustainable portfolio including loan account number, borrower name, use of proceeds, sanctioned amount, amount of loan drawn and outstanding, loan maturity and other necessary information so that the aggregate of issuance proceeds and use or allocation of proceeds can be recorded.

The labelling mechanism shall include but not be limited to the following information: Transaction Date, Amount of (net) Proceeds, Maturity Date, Coupon, Loan / Bond Type, Pricing Date, ISIN Code and/or other identifiers as required.
Unallocated proceeds, if any, shall be invested or allocated in liquid money market instruments, government securities and Cash & Cash Equivalents. as deemed fit by the Bank with strict exclusion to sectors or activities identified in the Exclusion Criteria

Further, following information shall be included on the allocation of proceeds of entire ESG portfolio:

- Project briefing of various Eligible Green Projects and/or Eligible Social Projects allocated:
- Amounts allocated to the various Eligible Green Projects and/or Eligible Social Projects
- Amount of unallocated proceeds
- Use of unallocated proceeds

<u>Monitoring of Proceeds</u>

The overall portfolio position under Sustainable Finance Framework shall be monitored quarterly by the ESGWG. Any changes to the overall portfolio considered under the Green, Social or Sustainable categorisation or removal and addition of individual projects from the Green, Social or Sustainable portfolio shall be done according to the Eligible Criteria set forth in the Framework and shall have to be cleared by the ESGWG.

2.4 Reporting

The Bank shall report the use of proceeds for each instrument issued under this Framework as part of the Bank's Annual Integrated Report or on a standalone basis. Allocation Reporting shall be disclosed annually until full allocation and as necessary in the event of material developments. This report shall be made available on HDFC Banks website and shall contain at least the following information:

- Allocation amount by Eligible Green Project Category and/or Eligible Social Project Category, indicating the SDG(s) of which such allocation supports
- Amount of unallocated proceeds
- Proportion of proceeds used for financing versus refinancing
- Eligible Project examples, subject to confidentiality

2.4.1.a Impact Indicators - Green Eligible Assets

Impact Reporting shall be disclosed annually until full allocation and on a timely basis in the case of material developments. Wherever possible and subject to the nature of Eligible Projects and availability of information, the Bank shall endeavour to report on qualitative and quantitative impacts of Eligible Projects financed through ESG instruments issued under the Framework. For each of the project/asset category, the Bank will report on at least one of the impact indicators. Such impact reports will be made readily available to the investors.

Green categories	
Eligible Project Category	Impact Indicators
Renewable Energy	• Annual Green House Gas (GHG) emissions reduced/avoided (tCO2eq p.a.) • Annual renewable energy generation • Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Energy Efficiency	• Annual energy savings • Annual GHG emissions reduced/avoided (tCO2eq p.a.) • Number of people who benefitted

Pollution Prevention & Control	• GHG emissions avoided per year, reported in tonnes CO2-quivalent (tCO2e)
Sustainable Water & Wastewater Management	• Annual water uses before and after the project, reduction in water use in % • Annual amount of wastewater treated, reused or avoided before and after the project • Number of people with access to clean drinking water, improved sanitation facilities under the project • Number of people and/or enterprises benefitting from measures to mitigate the consequences of floods and droughts.
Environmentally Sustainable Management of Living Natural Resources and Land Use	• Maintenance/safeguarding/increase of protected area, Natural Landscape area. • Number of predefined target organisms and species per km^2 before and after the project • Number of protected sensitive species in conserved area before and after the project
Terrestrial Aquatic & Biodiversity Conservation	• Number of sustainable fisheries and aquaculture activities financed
Clean Transportation	• Annual GHG emissions reduced/avoided (tCO2eq p.a.) • Passenger-kilometres constructed, Reduction of air pollutants • Number of clean vehicles deployed (e.g., electric) • Estimated reduction in car/truck use in number of kilometres driven or as share of total transport ridership. • Estimated reduction in fuel consumption
Climate Change Adaptation	• Increase in grid resilience, energy generation, transmission/distribution and storage in MWh

	• Reduction in the number of wildfires, and/or in the area damaged by wildfires in km^2 • Reduction in repair costs due to storms • Reduction in the number of customers/employees suffering loss of power/transport services • Reduction in the number of power lines incapacitated due to storms. • Reduction in flood damage costs, Reduction in number of operating days lost to floods • Reduction in land-loss from inundation and/or coastal erosion
Circular Economy	• % of Single use products replaced by reusable products. • % increase in reusable, recyclable, and/or certified compostable materials, components & products • Increased proportion of circular materials produced as a % of the total material production of the project • Waste that is prevented, minimised, reused or recycled before and after the project • Virgin raw materials that are substituted by secondary raw materials and by-products from manufacturing processes
Green Buildings	• Energy use reduced; Renewable energy generated on site • Annual GHG emissions reduced/avoided in tonnes of CO2 equiv. • % of carbon emissions reduced/avoided

2.4.2.b Impact Indicators - Social Eligible Assets

Social categories	
Micro Small and Medium Enterprises lending	• Number of SMEs financed/supported • Number of employees of SMEs supported
Affordable Basic Infrastructure	• Number of beneficiaries • Number of drinking water/sanitation facilities installed • Number of vehicles finance that enable public mobility • Number of road infrastructure projects financed that serve underdeveloped areas • Number of loans granted for construction/refurbishment of drinking water and sanitation facilities.
Access to Essential services	• Number of beneficiaries • Number of people reached with improved healthcare • Number of Medical Centers constructed • Amount of outstanding loans for educational infrastructure • Number of housing units built or refurbished • Amount of housing loans disbursed to qualifying borrowers
Food Security	• Reduced number of food insecure people • Reduced malnourishment • Number of people provided with safe, nutritious and sufficient food • Number of warehouses infrastructure financed
Socio-Economic Advancement and Empowerment	• Number of people benefiting from the eligible financial support • Number of small/marginal farmers benefiting from the eligible financial support

3. External Review

HDFC shall obtain and make publicly available a Second Party Opinion ("SPO") from a consultant/External Auditor at pre-issuance stage to provide an opinion on the environmental and social benefits of this Framework as well as on the alignment to the ICMA Green Bond Principles

2021, Social Bond Principles 2023, Sustainability Bond Guidelines 2021, LMA Green Loan Principles 2023 and Social Loan Principles 2023. The Second Party Opinion shall be published on HDFC Bank's website: www.hdfcbank.com.

HDFC Bank would also engage an independent third party to conduct post-issuance assurance on the allocation of proceeds and impact reporting.

4. Amendments to the framework

The Bank shall review this Framework on a regular basis, including its alignment to developments in sustainable finance market and applicable Principles and/or Guidelines as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The Bank further notes that components of this Framework overlaps reference to policies and definitions set forth by the Reserve Bank of India and other relevant regulatory bodies within the Bank's operating jurisdictions.

In the case of material developments and changes in such policies and definitions, the Bank may, at its discretion, update the eligibility criteria for respective eligible categories in accordance with the latest policy development. Any update of this Framework shall either retain or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. HDFC Bank shall obtain and make publicly available a fresh Second Party Opinion ("SPO") from a consultant/External Auditor to provide an opinion on its alignment to updated versions of applicable Principles and Guidelines as well as environmental and social benefits of the updated Framework as well. The Framework, upon such update, shall be published on the Bank's website and shall replace this Framework.